

Message Text

SECRET

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ACTION EA-10

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S E C R E T BANGKOK 4120

E. O. 11652: GDS

TAGS: EINV, TH

SUBJ: PRIME MINISTER'S VIEWS ON TEMCO

1. DURING MY FAREWELL CALL ON PRIME MINISTER SENI ON MARCH 12, I AGAIN RAISED THE THREATENED CANCELLATION OF TEMCO'S TIN MINING CONCESSION, STRESSING IN PARTICULAR THE ADVERSE IMPACT SUCH ACTION WOULD HAVE ON THAILAND'S INTERNATIONAL IMAGE AND ITS ABILITY TO ATTRACT FOREIGN INVESTMENT FOR THE NATION'S DEVELOPMENT. I REFERRED ALSO TO MY LETTER ON THIS SUBJECT (BANGKOK 3968), WHICH SENI SAID HE HAD RECEIVED, AND ASKED SENI IF HE WOULD HAVE ANY OBJECTION TO MY SENDING A COPY OF THIS LETTER TO THE MINISTER OF INDUSTRIES. SENI SAID HE WOULD NOT AND A COPY WAS DELIVERED TO HIM PERSONALLY LATER THE SAME DAY.

2. REPLYING TO MY DEMARCHE, SENI SAID THE TEMCO ISSUE IS "HIGHLY EMOTIONAL" AND WE MUST TAKE THIS FACT INTO ACCOUNT. THANOM AND PRAPAT WERE INVOLVED IN THIS INVESTMENT IN THE EARLY STAGES. THIS IS NOT THE CASE WITH MANY OTHER COMPANIES. SENI NOTED THAT HE HAD CAMPAIGNED EXTENSIVELY IN THE SOUTH OF THAILAND DURING THE ELECTION CAMPAIGN AND REACHED THE CONCLUSION THAT EMOTIONS ON THE TEMCO ISSUE WERE HIGH AND THERE HAD BEEN VIOLENCE.

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3. SENI SAID THIS ISSUE HAD BEEN HOTLY DEBATED IN THE MARCH 11 CABINET MEETING. SENI TOOK THE LINE THAT HIS GOVERNMENT WAS A CARETAKER ONLY AND THAT IT SHOULD DEFER ACTION ON MATTERS OF THIS NATURE. OTHERS FELT STRONGLY THAT THE CABINET SHOULD GO AHEAD. AS A COMPROMISE, THE CABINET DECIDED TO ASK MINISTER OF INDUSTRIES NITHIPHAT TO STUDY THE MATTER FURTHER AND GIVE THEM HIS RECOMMENDATIONS AT THE CABINET MEETING ON FRIDAY, MARCH 14TH. SENI NOTED THAT BEFORE THE MARCH 11 CABINET MEETING HIS GOVERNMENT HAD RECEIVED A REPORT FROM THE MINISTRY OF JUSTICE TO THE EFFECT THAT THERE WAS NO LEGAL BAR TO REVOKING THE CONCESSION.

4. COMPLAINING AGAIN OF STRONG PRESSURES WITHIN HIS PARTY AND CABINET FROM "RADICAL LEFTISTS", SENI SAID HIS OWN FEELING WAS THAT THE RTG SHOULD LOOK AT ALL SIDES OF THE ISSUE, "ASSETS AND LIABILITIES ALIKE". THE OBJECTIVE SHOULD NOT JUST BE TO REVOKE THE CONCESSION; THEY SHOULD LOOK AT ALL IMPLICATIONS. SENI ADDED THAT HE "DID NOT KNOW" WHAT WOULD HAPPEN IN THE MARCH 14 CABINET MEETING. HE REITERATED THAT HE WOULD TAKE THE POSITION IN WRITING THAT HIS GOVERNMENT SHOULD, IF IT DID NOT HAVE TIME TO REVIEW THE MATTER THOROUGHLY, REFER IT TO THE NEXT GOVERNMENT. HOWEVER, IF A MAJORITY OF THE CABINET INSISTED ON IMMEDIATE ACTION "THERE IS NOT MUCH I CAN DO".

5. I REITERATED REPEATEDLY THE STRONG ADVERSE REACTION WHICH REVOCATION OF THIS BONA FIDE CONCESSION WOULD HAVE ON THAILAND ITSELF AND THE DIFFICULTIES IT WOULD CAUSE FOR U.S.-THAI RELATIONS IN VIEW OF THE FACT THAT A MAJOR U.S. COMPANY IS INVOLVED IN THIS INVESTMENT AND THAT IT HAS AN OPIC GUARANTEE. SENI SAID HE WAS AWARE OF THIS BUT REPEATED THAT THE CABINET WAS "VERY EMOTIONAL". HE SAID AT ITS MARCH 11 MEETING THE CABINET HAD CONSIDERED SEVERAL ALTERNATIVES. THE POINT HAD BEEN RAISED WHETHER THAILAND COULD CONDUCT THIS MINING ITSELF, AND THE CONSENSUS WAS NEGATIVE. THE POSSIBILITY OF INCREASING THE NUMBER OF GOVERNMENT SHARES IN TEMCO WAS ALSO CONSIDERED BUT STRONG VOICES WITHIN THE CABINET KEPT RETURNING TO CANCELLATION OF THE CONCESSION AS THE ONLY SOLUTION IN ANY EVENT.

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6. COMMENT: I HAVE THE CLEAR IMPRESSION THAT THE DEMOCRAT PARTY IS ALREADY RUNNING IN THE NEXT ELECTION AND THAT TEMCO IS A PAWN IN THIS POLITICAL STRUGGLE. SENI IS A GOOD BUT NOT A STRONG MAN. I AM NOT OPTIMISTIC ABOUT THE OUTCOME OF THE MARCH 14 CABINET DISCUSSION. IN ADDITION TO OUR APPROACHES TO THE PRIME MINISTER, FOREIGN MINISTER AND MINISTER OF INDUSTRIES WE HAVE ALSO DISCUSSED

THIS MATTER WITH OTHER LEADING THAI, STRESSING THE ADVERSE
CONSEQUENCES OF CANCELLATION. WE ARE ALSO COORDINATING
CLOSELY WITH THE DUTCH AND HAVE AGAIN TODAY URGED THEM
TO DO ANYTHING POSSIBLE TO FORESTALL AN ADVERSE DECISION.
WE ARE PASSING THE SAME MESSAGE TO TEMCO ITSELF.
KINTER

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